

Illinois' Sustainable Energy Plan

ComEd's Proposed Implementation Plan Energy Efficiency Portfolio Standard

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The Governor has proposed ambitious goals for the development of energy efficiency and demand reduction programs in Illinois.

- Governor's Plan seeks benefits from both energy efficiency and demand reduction programs.
- Goals are based upon growth and escalate over time:
 - Years 2006 – 2008: 10% of projected annual load growth.
 - Years 2009 – 2011: 15% of projected annual load growth.
 - Years 2012 – 2014: 20% of projected annual load growth.
 - Years 2015 – 2017: 25% of projected annual load growth.
- \$10 million/year for DCEO programs.
- Competitive procurement; ICC oversight and process approval.
 - Energy efficiency and demand reduction contracting.
- Full and timely cost recovery for utilities.

ComEd supports these goals but recognizes the specific challenges in implementing them successfully.

- Minimize the impact on customers bills.
- ICC must make findings consistent with its authority under existing law.
- Full and timely cost recovery in utility rates based on ICC's findings.
- Recognize existing demand-side programs.
- Offer a portfolio of programs to cover all customer classes.
- Create an independent evaluation process to suggest prospective program improvements.

EEPS Targets for Governor's Plan

ComEd 2004 Retail Deliveries¹

87,357 GWh

PJM Net Energy Growth Rate (Average for ComEd 2004 – 2015)²

1.7%

	2004	2005	2006	2007	2008	2009	2010 and Beyond
ComEd Deliveries (GWh)	87,357	88,842	90,352	91,888	93,450	95,039	Goals Based Upon Progress Assessment in 2009
PJM Growth Percentage		1.7%	1.7%	1.7%	1.7%	1.7%	
Proxy Growth (GWh)		1,485	1,510	1,536	1,562	1,589	
EEPS %	Contracts in Place for Program Launch in 2007			10%	10%	10%	
EEPS Target (GWh)				154	156	159	
Cumulative (GWh)				154	310	469	

¹Exelon/ComEd Form 10(k), page 229.

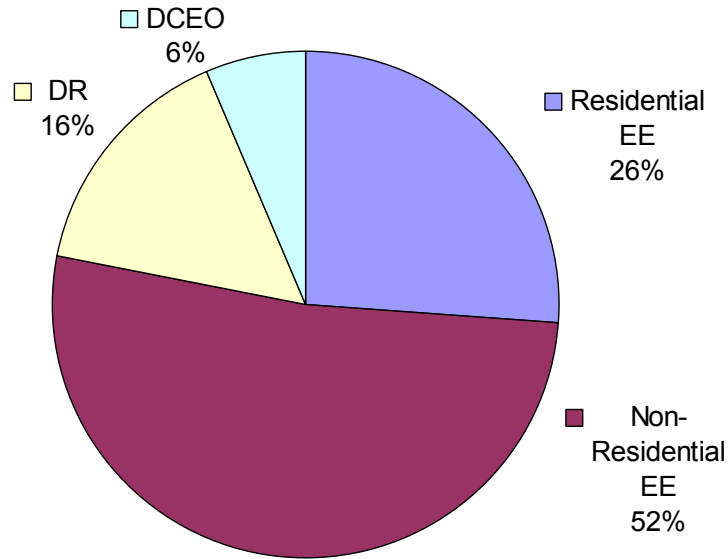
²2005 PJM Load Forecast Report, page 50.

ComEd's Proposal – Meet Proposed Targets as Follows:

- Continue to implement tariff-based DR programs using current ComEd channel and PJM DR framework.
 - Count energy impacts of DR programs toward EEPS GWh target.
 - DR growth assumes PJM provides a market value payment to ComEd as a funding source for customer incentives.
- Expand DR via approved competitive bidding process.
 - RFP for new DR block of nega-watts to further target improvement of system load factor as a goal of the EEPS.
- Acquire energy efficiency services via approved competitive bidding process.
 - Segment RFPs into key customer segments (e.g. residential, low income, non-residential) or key end uses (e.g. lighting, HVAC).
- “Regulatory out” contract clauses will be necessary.
- DCEO programs:
 - Count energy impacts of DCEO programs toward EEPS GWh target.
 - ComEd portion is \$6.9 million.
- Manage overall competitive procurement within a rate impact-based funding limit.
 - Basis: 0.6% increase on a residential single family customer bill.

ComEd's Proposal - EEPS Program Goals in 2007

Breakdown of 2007 GWh Target



Segment	GWh
Residential EE	40
Non-Residential EE	80
Demand Response	24
DCEO ¹	10
Total	154

These are initial estimates and imply assumptions related to program types, number of participants, types of efficiency measures, and costs. These assumptions will change.

¹DCEO GWh impacts are for illustrative purposes. Specific impacts should be forecast by the DCEO.

ComEd's Proposal – Benchmarking¹

- ComEd expects its proposal to be within the reasonable range of cost-effectiveness when comparing results from other states.

State	Year	Annual Budget (\$Millions)	Annual GWh Saved	Cost Effectiveness	
				Cost Per Annual kWh	Life Cycle Cost ²
CT	2003	\$61	131	\$0.47	\$0.023
MA	2001	\$135	309	\$0.44	\$0.040
NJ	2003	\$177	539	\$0.33	\$0.030
NY	2002	\$150	395	\$0.38	\$0.044
VT	2003	\$13	54	\$0.24	\$0.030

¹Benchmarking statistics should be used with caution since reporting is often inconsistent. For example, budgets can include costs that produce no electricity savings, such as tree-planting, evaluation, gas programs, etc., and may or may not include costs and impacts of demand response programs.

²Kushler, Martin, Dan York and Patty Witte, *Five years In: An Examination of the First Half-Decade of Public Benefits Energy Efficiency Policies*, American Council for an Energy-Efficiency Economy, April 2004, page 30.

- Process and impact evaluation should:
 - be independent from the implementing utility, DCEO, vendors, and others directly associated with implementing programs,
 - be focused on improving future programs and performance, and
 - not be used for the purposes of hindsight prudence or to set or reduce the level of cost recovery.
- An upper limit of 3% of total program investments should be allocated to cover independent evaluation. These costs must be deemed prudent and be fully recoverable.
- The ICC should establish an Evaluation Working Group (EWG) of interested parties to manage the evaluation.

- The ICC must find that the proposed DR and EE programs constitute an accepted “utility function” (e.g., enhancing delivery service reliability) and that the associated costs are prudently incurred.
- The ICC must approve a rate mechanism (e.g., a rider) to provide full and timely recovery of utility costs.
- The ICC must pre-approve program goals and the implementation process, and approve specific contracts before costs thereunder are incurred and recovered.
- Include in contracts “regulatory out” language to protect against the risk of legal challenge, and *force majeure* language to protect against the risk that programs are not delivered as contracted.
- EEPS funds collected from the rider should be accounted for separately from other funds and used only for EEPS purposes.
- Accounting should be established to track:
 - Program expenditures.
 - DCEO disbursements.

- Obtain feedback from stakeholders on proposal.
- Engage stakeholders in further discussion on program design.
- Develop a program evaluation and measurement process.
- Develop RFP process.
- Develop standard contracts.
- Develop back office requirements.
- Develop a cost-recovery approach to enable appropriate pass-through of program costs.
- File for ICC approval the following: standard contracts, RFP process, and associated tariffs to meet the energy efficiency goals.
- Conduct the RFP once ICC approvals are received.